

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 27 – HB 138

March 20, 2015

**SUMMARY OF ORIGINAL BILL:** Creates the “Individualized Education Act”. Authorizes parents or guardians of special education students to receive payments into their child’s Individual Education Account (IEA) in order to enroll their child in a participating non-public school. The maximum amount of funding that a student may be eligible for is the amount of state and local required Basic Education Program (BEP) funding. Sets forth eligibility requirements; terminating events; and how such funding may be used. Sets forth the duties of the Department of Education (DOE) in administering the program. The DOE may collect an administrative fee equal to three percent of the total appropriations used to fund IEAs for expenditures related to administration of the program. For the purposes of enrollment, participating students shall continue to be counted in the enrollment data for their home local education agency (LEA).

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$235,000/FY15-16  
Exceeds \$235,000/FY16-17 and Subsequent Years

Increase State Expenditures –  
\$300,900/FY15-16  
\$284,400/FY16-17 and Subsequent Years

Decrease Local Revenue –  
\$2,059,000/FY15-16/Federal IDEA  
Exceeds \$2,059,000/FY16-17 and Subsequent Years/  
Federal IDEA

Decrease Local Expenditures –  
Exceeds \$2,875,800/FY15-16 and Subsequent Years

Other Fiscal Impact – There will be annual shifts of state and local BEP funding from LEAs to the various Individual Education Accounts of participating students. An estimated \$7,599,300 will shift in FY15-16 and an amount estimated to exceed \$7,599,300 will shift in FY16-17 and subsequent years.

**SUMMARY OF AMENDMENTS (004060, 004725):** Amendment 004060 deletes and rewrites the bill such that the only substantive changes are to require the Department of Education to make rules and regulations that provide a process for the return of a student to a regular LEA classroom and to require that funding from the IEA be returned to the state upon the

SB 27 – HB 138

student's return to the regular LEA school. Amendment 004725 authorizes the state to collect a four percent administrative fee.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

### **Increase State Revenue - \$313,400/FY15-16**

**Exceeds \$313,400/FY16-17 and Subsequent Years**

### **Increase State Expenditures –**

**\$300,900/FY15-16**

**\$284,400/FY16-17 and Subsequent Years**

### **Decrease Local Revenue –**

**\$2,059,000/FY15-16/Federal IDEA**

**Exceeds \$2,059,000/FY16-17 and Subsequent Years/  
Federal IDEA**

### **Decrease Local Expenditures –**

**Exceeds \$2,875,800/FY15-16 and Subsequent Years**

**Other Fiscal Impact – There will be annual shifts of state and local BEP funding from LEAs to the various Individual Education Accounts of participating students. An estimated \$7,520,900 will shift in FY15-16 and an amount estimated to exceed \$7,520,900 will shift in FY16-17 and subsequent years.**

Assumptions for the bill as amended:

- Based on information provided by the DOE, four new positions will be required to manage the IEA program statewide.
- Salary and benefits for a director are estimated to be \$93,619; one Education Consultant position is estimated to be \$84,910; one Finance position is estimated to be \$65,464; and one administrative assistant is estimated to be \$ 40,374.
- The recurring increase in state expenditures is estimated to be \$284,367 (\$93,619 + \$84,910 + \$65,464 + \$40,374).
- These positions will also require one-time expenses related to equipment and supplies, estimated to be \$16,500.
- The total increase in state expenditures in FY15-16 is estimated to be \$300,867 (\$284,367 + \$16,500).
- The recurring increase in state expenditures beginning in FY16-17 is estimated to be \$284,367.
- An estimated 118,202 students will be eligible to receive an IEA.
- Based on research performed by the Comptroller's Office on participation rates in other states for similar programs, it is estimated a minimum of one percent of eligible students (or 1,182) will participate annually.

- The amount of BEP per pupil expenditure that will transfer from LEAs to IEAs in FY15-16 is estimated to be \$6,628 and exceed \$6,628 in FY16-17 and subsequent fiscal years.
- The estimated total amount of funding that will be eligible for transfer to IEAs in FY15-16 is estimated to be \$7,834,296 (1,182 x \$6,628).
- The state will be eligible for a four percent fee from the total amount of funding transferring into IEA accounts annually; the amount of the DOE administrative fee revenue in FY15-16 is estimated to be \$313,372 (\$7,834,296 x 4.0%); in FY16-17 and subsequent years is estimated to exceed \$313,372.
- The amount of estimated state and local BEP funding that will transfer to IEA accounts in FY15-16 is estimated to be \$7,520,924 (\$7,834,296 - \$313,372) and to exceed this amount in FY16-17 and subsequent fiscal years.
- The cost to provide special education services varies widely by student and by LEA.
- LEAs will have a decrease in local expenditures as a result of no longer providing special education and other services to participating students. LEAs currently spend an average of \$2,433 per student above what the BEP formula requires.
- The per pupil expenditure is estimated to increase in FY15-16 and subsequent years.
- The decrease in local expenditures for services related to special education is estimated to exceed \$2,875,806 (\$2,433 x 1,182). Services include but are not limited to transportation, bus purchases, and special classroom accommodations.
- LEAs will no longer receive federal funding from the Individuals with Disabilities Act (IDEA) for participating students since participating students will no longer be a part of the LEA classroom experience.
- Based on information from the DOE, the estimated decrease in IDEA funding in FY15-16 is \$1,742 per student annually; a total estimated decrease in local revenue in FY15-16 of \$2,059,044 (\$1,742 x 1,182).
- The extent of reduced federal funding will increase in FY16-17 and subsequent fiscal years.
- No change in the BEP funding formula.
- The Department of Education will promulgate rules and regulations without an increase in personnel or a reduction in its reversion to the General Fund.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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